

2-3

EDITORIAL

"The Federal Reserve enters a new era of inflation targeting"

4-5

MARKETS OVERVIEW

Recent market developments (foreign exchange, stock markets, interest rates, commodities, etc.)

6-7

ECONOMIC PULSE

Analysis of the recent economic data of a country and of the gap versus the consensus

8

ECONOMIC SCENARIO

Main economic and financial forecasts.

9-11

CALENDARS

This week's main economic data and key releases for next week

12

FURTHER READING

Latest articles, charts, videos and podcasts of Group Economic Research

ECONOMIC RESEARCH



BNP PARIBAS

The bank
for a changing
world

THE FEDERAL RESERVE ENTERS A NEW ERA OF INFLATION TARGETING

The Federal Reserve has changed its longer-run goals. Going forward, monetary policy will focus on the shortfall of employment from its maximum level, rather than on the deviations from this level. More importantly, the central bank will now seek to achieve inflation that averages 2 percent over time. The announcement implies a more accommodative stance because the timing of the first rate hike is now pushed further into the future. It also means that, eventually, the Fed's reaction function will become more difficult to read: when will average inflation –a concept that remains to be defined- warrant a policy tightening? Such ambiguity would then lead to increased volatility, unless guidance takes an even bigger role.

The Federal Reserve Bank of Kansas City's annual economic policy symposium in Jackson Hole has a long tradition of important speeches¹. In 2012, Fed Chair Ben Bernanke signaled that a third round of quantitative easing was coming. Mario Draghi's speech in 2014 was considered as indicating that the ECB was going to introduce QE as well. In 2018, Fed Chair Jerome Powell talked about the difficulties of 'navigating by the stars', referring to inflation expectations, the neutral rate of interest and the natural rate of unemployment².

This year's event, which was held online, was no exception, quite to the contrary. In his speech, Jerome Powell explained the revised Statement on Longer-Run Goals and Monetary Policy Strategy. This revision is the outcome of the review of the Fed's monetary policy framework³. The document is important because it lays out the goals and the framework of monetary policy. It serves as the foundation for the FOMC's policy actions⁴. Like before, the Federal Reserve refrains from specifying a numerical goal for unemployment, considering that the maximum level of employment "is not directly measurable and changes over time for reasons unrelated to monetary policy". In addition, it is still of the view that a longer-run inflation rate of 2 percent is most consistent with its mission of promoting maximum employment and price stability. What has changed is how the employment situation will influence the policy decision. Going forward, the assessment will be based on the shortfall of employment from its maximum level, rather than on the deviations from this level. As stated by Jerome Powell, "this change may appear subtle, but it reflects our view that a robust job market can be sustained without causing an outbreak of inflation." As a consequence, the labour market will have an asymmetric influence on the policy stance with a high level of unemployment triggering easing whereas a very low level will not necessarily cause a more hawkish stance, unless inflation or instability risks would be on the rise.

1. See e.g. *Jackson Hole's greatest hits keep focus on Fed's annual retreat*, Bloomberg, 27 August 2020

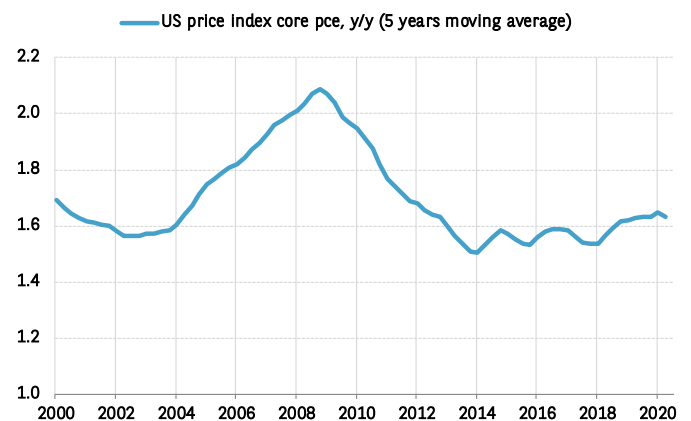
2. For more detail, see *Fed: avoiding the risks of stargazing*, BNP Paribas, EcoWeek, 31 August 2018

3. For an earlier analysis, see: *The Federal Reserve's strategy review: towards a target range for inflation?*, BNP Paribas, EcoWeek, 21 February 2020

4. *New Economic Challenges and the Fed's Monetary Policy Review*, Remarks by Jerome H. Powell, Chair Board of Governors of the Federal Reserve System at "Navigating the Decade Ahead: Implications for Monetary Policy," an economic policy symposium sponsored by the Federal Reserve Bank of Kansas City, 27 August 2020

The change in the measure to assess inflation versus its target is more significant. The Federal Reserve is concerned that a tightening of policy as soon as inflation reaches 2% would imply that in the longer run, inflation would average less than 2%. As shown in chart 1, this is exactly what has happened. The preferred inflation measure of the Fed has –on a moving average basis- rarely been above 2% since 2000. This can end up causing a decline of inflation expectations, making the conduct of monetary policy more difficult. For this reason, the central bank will now seek to achieve inflation that averages 2 percent over time. "Therefore, following periods when inflation has been running below 2 percent, appropriate monetary policy will likely aim to achieve inflation moderately above 2 percent for some time." Given the inflation development in recent years, financial markets have, quite understandably, interpreted this change as a message that policy would remain very accommodative for longer (chart 2). The dollar weakened versus the euro and equities rallied. Both reactions were

INFLATION: US PRICE INDEX CORE PCE Y/Y
(5-YEAR MOVING AVERAGE)



SOURCE: BEA, BNP PARIBAS

Eventually, the Fed's reaction function will become more difficult to read: when will average inflation –a concept that remains to be defined- warrant a policy tightening? Such ambiguity would then lead to increased volatility, unless guidance takes an even bigger role.

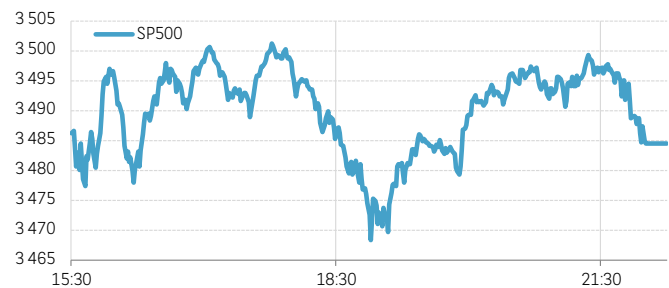
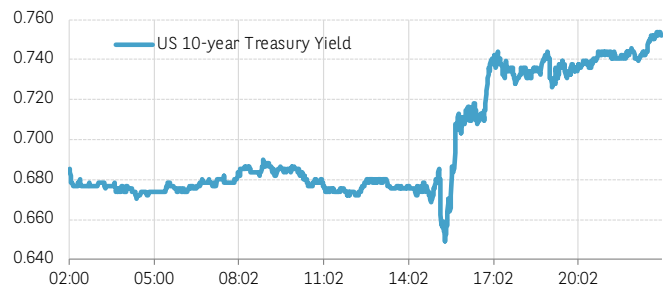
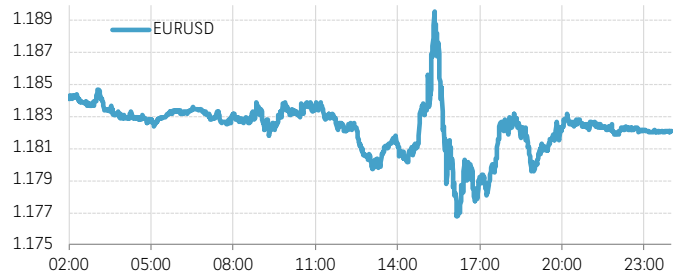


short-lived however. Treasury bond yields moved higher, pricing in the prospect that the Fed would tolerate a higher level of inflation.

The message of *'low policy rates for longer'* should support activity and demand. It should also underpin risk taking in financial markets. After all, fluctuations in the required risk premium are closely tied to Federal Reserve policy. Low policy rates for longer would imply higher asset valuations –such as tighter corporate bond spreads versus treasuries or a higher price/earnings ratio in equities- but this will likely lead to an increased sensitivity and volatility when policy is tightened after all. Following the change to the Statement, communication and guidance on future policy thus becomes more important, in particular considering that the Fed is not tying itself to a particular mathematical formula that defines the relevant inflation average.

William De Vijlder

FINANCIAL MARKETS REACTION TO JEROME POWELL SPEECH



SOURCE: BLOOMBERG 27 AUGUST 2020



MARKETS OVERVIEW

OVERVIEW

Week 21-8-20 to 27-8-20

➤ CAC 40	4 896	➤ 5 016	+2.4 %
➤ S&P 500	3 397	➤ 3 485	+2.6 %
➤ Volatility (VIX)	22.5	➤ 24.5	+1.9 pb
➤ Libor \$ 3M (%)	0.25	➤ 0.26	+0.6 bp
➤ OAT 10y (%)	-0.25	➤ -0.16	+9.1 bp
➤ Bund 10y (%)	-0.54	➤ -0.44	+10.3 bp
➤ US Tr. 10y (%)	0.63	➤ 0.73	+10.8 bp
➤ Euro vs dollar	1.18	➤ 1.18	+0.1 %
➤ Gold (ounce, \$)	1 940	➤ 1 918	-1.1 %
➤ Oil (Brent, \$)	44.4	➤ 45.1	+1.6 %

MONEY & BOND MARKETS

Interest Rates		highest 20	lowest 20	Yield (%)		highest 20	lowest 20
\$ FED	0.25	1.75 at 01/01	0.25 at 16/03	€ AVG 5-7y	-0.24	0.72 at 18/03	-0.29 at 11/08
Libor 3M	0.26	1.91 at 01/01	0.23 at 24/08	Bund 2y	-0.64	-0.58 at 14/01	-1.00 at 09/03
Libor 12M	0.45	2.00 at 01/01	0.44 at 24/08	Bund 10y	-0.44	-0.17 at 19/03	-0.84 at 09/03
£ BoE	0.10	0.75 at 01/01	0.10 at 19/03	OAT 10y	-0.16	0.28 at 18/03	-0.42 at 09/03
Libor 3M	0.07	0.80 at 08/01	0.07 at 26/08	Corp. BBB	1.00	2.54 at 24/03	0.65 at 20/02
Libor 12M	0.25	0.98 at 01/01	0.24 at 25/08	\$ Treas. 2y	0.17	1.59 at 08/01	0.11 at 04/08
At 27-8-20				Treas. 10y	0.73	1.91 at 01/01	0.50 at 09/03
				High Yield	5.78	11.29 at 23/03	5.44 at 21/02
				£ gilt. 2y	-0.01	0.61 at 08/01	-0.11 at 10/07
				gilt. 10y	0.29	0.83 at 01/01	0.04 at 04/08
				At 27-8-20			

EXCHANGE RATES

1€ =		highest 20	lowest 20	2020
USD	1.18	1.19 at 18/08	1.07 at 20/03	+5.0%
GBP	0.89	0.94 at 23/03	0.83 at 18/02	+5.5%
CHF	1.07	1.09 at 05/06	1.05 at 14/05	-1.3%
JPY	125.50	126.53 at 13/08	114.51 at 06/05	+2.9%
AUD	1.63	1.87 at 23/03	1.60 at 01/01	+2.1%
CNY	8.11	8.26 at 30/07	7.55 at 19/02	+3.7%
BRL	6.60	6.69 at 20/08	4.51 at 02/01	+46.2%
RUB	88.52	89.34 at 26/08	67.75 at 10/01	+27.0%
INR	87.03	89.12 at 18/08	77.21 at 17/02	+8.6%
At 27-8-20				

COMMODITIES

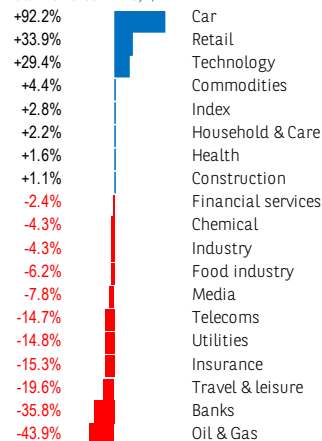
Spot price, \$		highest 20	lowest 20	2020	2020(€)
Oil, Brent	45.1	69.1 at 06/01	16.5 at 21/04	-31.9%	-35.2%
Gold (ounce)	1 918	2 053 at 06/08	1 475 at 19/03	+26.2%	+20.1%
Metals, LME	2 993	3 011 at 19/08	2 232 at 23/03	+5.3%	+0.2%
Copper (ton)	6 641	6 699 at 19/08	4 625 at 23/03	+8.0%	+2.8%
CRB Foods	320	341.5 at 21/01	272 at 27/04	-5.6%	-10.1%
wheat (ton)	207	2.4 at 21/01	178 at 26/06	-9.6%	-14.0%
Corn (ton)	130	1.5 at 23/01	113 at 28/04	-1.3%	-17.1%
At 27-8-20					

EQUITY INDICES

	Index	highest 20	lowest 20	2020
World				
MSCI World	2 443	2 446 at 26/08	1 602 at 23/03	+3.6%
North America				
S&P500	3 485	3 485 at 27/08	2 237 at 23/03	+7.9%
Europe				
EuroStoxx50	3 331	3 865 at 19/02	2 386 at 18/03	-11.1%
CAC 40	5 016	6 111 at 19/02	3 755 at 18/03	-1.6%
DAX 30	13 096	13 789 at 19/02	8 442 at 18/03	-1.2%
IBEX 35	7 091	10 084 at 19/02	6 107 at 16/03	-2.6%
FTSE100	6 000	7 675 at 17/01	4 994 at 23/03	-2.0%
Asia				
MSCI, loc.	940	1 034 at 20/01	743 at 23/03	-0.7%
Nikkei	23 209	24 084 at 20/01	16 553 at 19/03	-1.9%
Emerging				
MSCI Emerging (\$)	1 117	1 147 at 17/01	758 at 23/03	+0.0%
China	101	102 at 26/08	69 at 19/03	+18.6%
India	566	609 at 17/01	353 at 23/03	-1.1%
Brazil	1 481	2 429 at 02/01	1 036 at 23/03	-13.1%
Russia	611	857 at 20/01	419 at 18/03	-10.2%
At 27-8-20				

PERFORMANCE BY SECTOR (S&P500)

Year 2020 to 27-8, \$

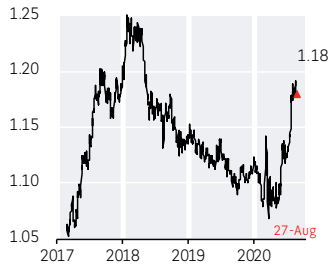


SOURCE: THOMSON REUTERS,

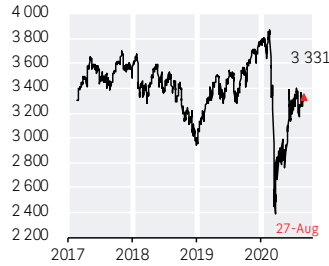


MARKETS OVERVIEW

EURO-DOLLAR



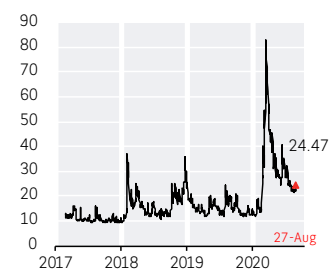
EUROSTOXX50



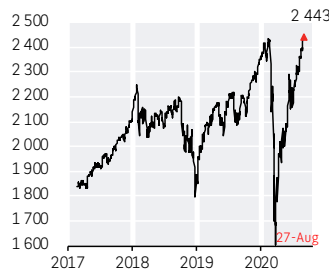
S&P500



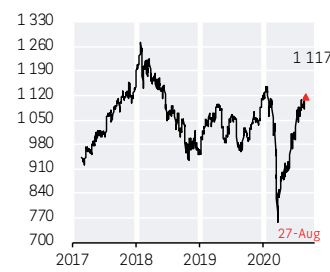
VOLATILITY (VIX, S&P500)



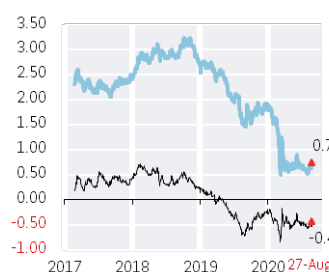
MSCI WORLD (USD)



MSCI EMERGING (USD)

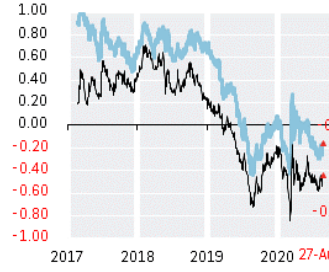


10Y BOND YIELD, TREASURIES VS BUND



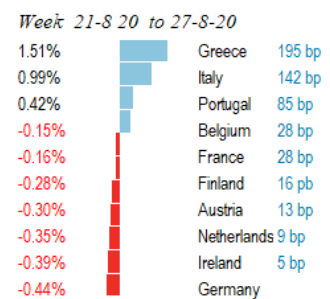
—Bunds —US Treasuries

10Y BOND YIELD



—Bunds —OAT

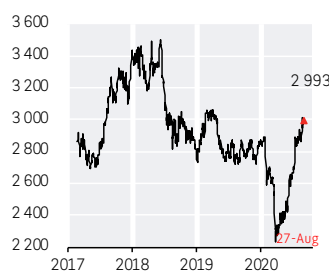
10Y BOND YIELD & SPREADS



OIL (BRENT, USD)



METALS (LME, USD)



GOLD (OUNCE, USD)



SOURCE: THOMSON REUTERS,



ECONOMIC PULSE

EUROZONE: THE RECOVERY CONTINUES BUT MOMENTUM IS SLOWING

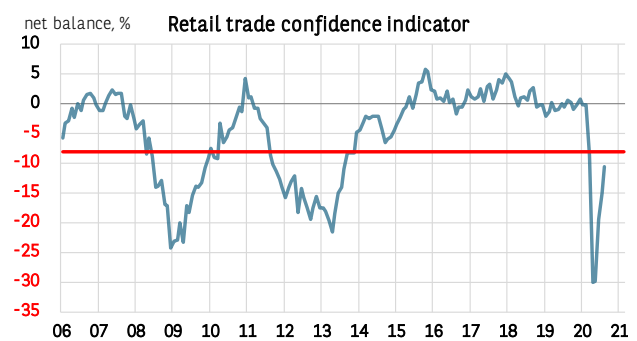
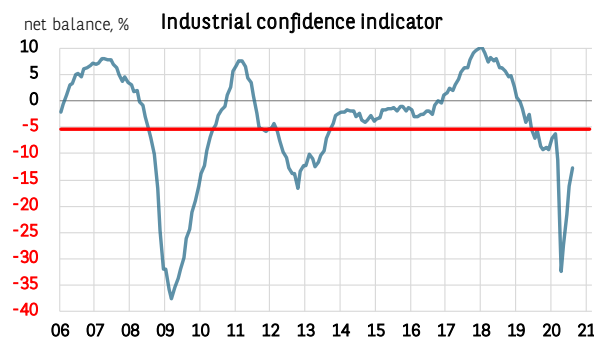
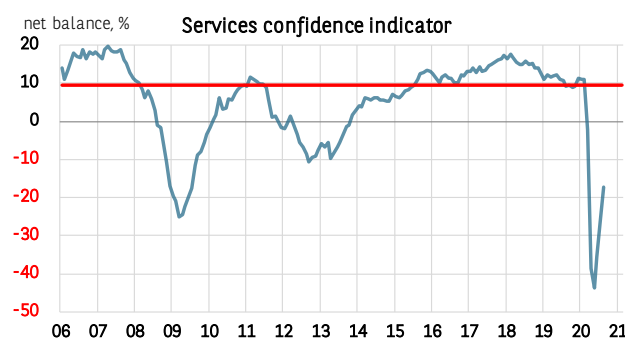
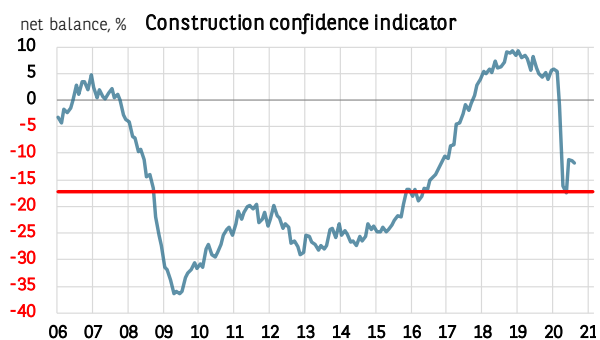
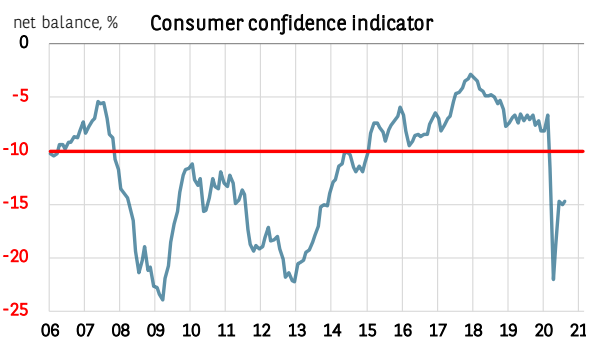
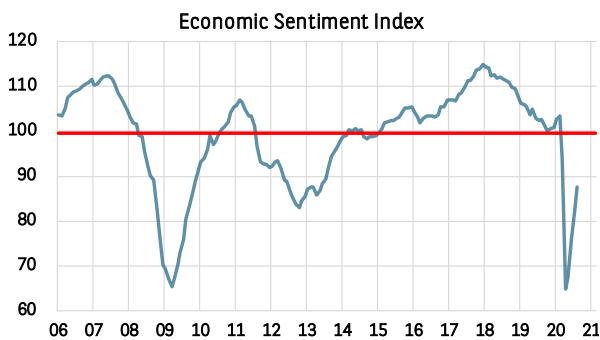
The latest flash PMIs had raised some concern given the weakening of the composite index for the eurozone (from 54.9 to 51.6) and Germany (from 55.3 to 53.7) and an even bigger decline in France (from 57.3 to 51.7). Services weakened across the board, whereas manufacturing improved in Germany but deteriorated in France whilst being virtually unchanged for the eurozone. Considering that the PMI surveys ask whether the situation has improved or worsened versus the month before, there is a risk over over-interpreting a decline in the data: when the numbers have been strong in recent months –as has been the case as of late- a weakening versus the previous month does not automatically mean a change in trend.

This point was emphasized by INSEE when commenting its latest business surveys for France. It noted the slight easing of expectations

in August, which comes after a very significant rebound in activity, so this probably reflects the feeling of survey participants that the catching up of their companies' activity towards normal levels will slow down somewhat. To put it differently: the rebound continues in France, although momentum may ease somewhat going forward. In Germany, the ifo business climate has improved further in August, in particular in manufacturing and, to a lesser degree, in services. The assessment of the current situation was markedly more positive and expectations improved slightly.

The European Commission's economic sentiment indicator (ESI) –which covers industry, services, consumers, retail trade and construction- continued its improvement in August. Construction sector sentiment worsened slightly but there was a significant increase in industry

EUROZONE: EUROPEAN COMMISSION SURVEYS



— HISTORICAL AVERAGE FROM 1985

SOURCE: EUROPEAN COMMISSION SURVEYS, BNP PARIBAS



and retail trade and even more so in services. Consumer sentiment saw a very small improvement and is now back at the level of last June. Expectations however recorded a broad-based weakening: after recovering strongly in the previous 3 months, they edged down in manufacturing and slipped for the first time in 4 months in services. In retail trade a slight setback could be noted in August. There was good news on the other hand on the employment front where the expectations indicator increased, reflecting significantly improved employment plans in retail trade, industry, and services. Construction saw a worsening of employment plans. For the time being, households remain unconvinced: their unemployment expectations were broadly unchanged.

Comparing the big four eurozone countries, some differences can be noted. The ESI for France rose strongly in August (from 82.2 to 91.5). Consumer sentiment was stable, construction saw a slight improvement whereas industry and in particular services and retail trade picked up significantly. Germany also saw a significant increase (from 88.4 to 94.3), in particular in industry and even more so services. In Italy, the ESI rose somewhat (from 77.9 to 80.6). The movement was broad-based with services and retail trade being key drivers. In Spain, the index eased (from 90.6 to 88.1) on the back of weaker results in services, retail trade, construction and consumer sentiment.

Finally, focusing on certain expectations data, manufacturing production expectations improved in Germany but weakened in France, Italy and Spain. A similar picture emerges in terms of the evolution of expected demand over the next 3 months in services. For this series, a big drop can be noted in Spain. This country also saw a sharp deterioration in the expected business situation in retail trade. In France, there was a modest weakening whereas Germany and, even more so, Italy, saw an improvement.

William De Vijlder



ECONOMIC SCENARIO

8

UNITED STATES

- The economy is increasingly impacted by the spreading of the coronavirus and concern is mounting about the increase in the unemployment rate, which will weigh on consumer spending. This explains the very significant measures taken by the Federal Reserve and those announced by the Administration. In addition the Administration is preparing a new package of measures. Clearly, the near term prospects depend on how the epidemic evolves. Once we will be beyond the peak, the measures taken thus far will be instrumental in supporting the recovery in demand and activity.

CHINA

- Economic activity fell abruptly in February, the first month of the lockdown, and real GDP contracted by an unprecedented 6.8% y/y in Q1 2020. Since March, activity has been recovering gradually, though more rapidly on the supply side and in the industry than on the demand side and in services. The authorities have loosened their monetary and fiscal policies gradually. Credit conditions are expected to continue to be eased cautiously given the already excessive debt burden of the economy. Meanwhile, the fiscal leeway remains large and public investment growth should accelerate further. Downside risks on our 2020 scenario are significant. On the external front, they are due to the vulnerability of the Chinese manufacturing sector to global trade weakening and US protectionism.

EUROZONE

- The huge impact of the coronavirus epidemic is becoming increasingly visible in activity and demand data, following lockdowns, but also in confidence data and business expectations. The first semester will be significantly affected although the extent depends on when the epidemic will be brought under control. Taking guidance from the experience in China, the second semester should see an improvement in activity, which should be helped by the huge support measures which are being taken. Forecasts are entirely dependent on the scenario which is assumed for the epidemic.

FRANCE

- The recessionary shock triggered by the Covid-19 pandemic and ensuing lockdown measures is massive. After an already historic fall of 5.3% q/q in Q1, Q2 GDP plunge could reach 20% q/q according to the INSEE. However, as a result of the first phase of the deconfinement, some green shoots of the recovery are visible in May business surveys. The recovery is expected to gain momentum, but only progressively as it spreads to all sectors of activity. Not all of them are in the same boat in terms of catching up and getting back to normal. Our new growth scenario incorporates a deeper trough in activity followed by a shallower rebound. After responding to the emergency with relief measures, support for the economy is changing. Sectoral measures have already been identified (tourism, automobile); the global stimulus package, currently being drawn up, is announced for September.

INTEREST RATES AND FX RATES

- In the US, the Federal Reserve has taken, in several meetings, a host of measures to inject liquidity in the financial system and facilitate the financing of companies. The federal funds rate has been brought down to the zero lower bound and QE has been restarted. Additional measures are to be expected should the economic and liquidity situation deteriorate further. Treasury yields have seen initially a big drop, reflecting a flight to safety but have also been very volatile. More recently yields have increased on the back of expectations of a pick-up in activity once the lockdown eases and due to increased bond supply. We expect this trend to continue.

- In the eurozone, the ECB has taken considerable measures to inject liquidity by starting and subsequently extending a temporary Pandemic Emergency Purchase Programme, expanding the range of eligible assets under the corpo-

rate sector purchase programme (CSPP) to non-financial commercial paper and by easing the collateral standards by adjusting the main risk parameters of the collateral framework. More is to be expected should circumstances require. These measures should also keep a lid on sovereign bond spreads. The movement of bond yields will be very much influenced by what happens to US yields, and hence, in the near term, by news about the epidemic.

- The Bank of Japan has kept its policy rate unchanged but has decided to double its purchases of ETFs and J-REITS (Investment funds tied to Japanese real estate). The target for its corporate bonds purchases has also been increased.

- We expect the recent trend of dollar weakening to continue due to hedging behaviour and a view that the ECB action will be successful in avoiding market fragmentation and in supporting the economy.

GROWTH & INFLATION

%	GDP Growth			Inflation		
	2019	2020 e	2021 e	2019	2020 e	2021 e
United-States	2.3	-4.9	4.8	1.8	0.8	1.5
Japan	0.7	-4.8	2.1	0.5	-0.3	-0.7
United-Kingdom	1.4	-9.1	5.3	1.8	0.8	1.3
Euro Area	1.2	-9.0	5.8	1.2	0.1	0.9
Germany	0.6	-5.6	5.3	1.4	0.4	1.5
France	1.3	-11.1	5.9	1.3	0.5	1.0
Italy	0.3	-12.1	6.1	0.6	-0.2	0.5
Spain	2.0	-12.5	6.3	0.7	-0.4	0.6
China	6.1	2.5	8.1	2.9	2.5	2.3
India*	4.2	-4.7	9.5	4.8	2.5	3.5
Brazil	1.1	7.0	4.0	3.7	2.5	3.0
Russia	1.3	-6.5	3.5	4.3	3.0	3.5

SOURCE: BNP PARIBAS GROUP ECONOMIC RESEARCH (E: ESTIMATES & FORECASTS)

*FISCAL YEAR FROM 1ST APRIL OF YEAR N TO MARCH 31ST OF YEAR N+1

**LAST UPDATE 07/07/2020

INTEREST & EXCHANGE RATES

Interest rates, %	2019		2020				2019			2020e			2021e		
	Q3	Q4	Q1	Q2	Q3e	Q4e	2019	2020e	2021e	2019	2020e	2021e	2019	2020e	2021e
US															
Fed Funds (upper limit)	2.00	1.75	0.25	0.25	0.25	0.25	1.75	0.25	0.25						
T-Notes 10y	1.67	1.92	0.67	0.80	1.00	0.90	1.92	0.90	1.20						
Ezone															
Deposit rate	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50	-0.50						
Bund 10y	-0.57	-0.19	-0.46	-0.50	-0.40	-0.30	-0.19	-0.30	0.00						
OAT 10y	-0.28	0.08	-0.05	-0.15	-0.10	-0.05	0.08	-0.05	0.20						
BTP 10y	0.83	1.32	1.55	1.30	1.30	1.30	1.32	1.30	1.60						
BON0 10y	0.15	0.47	0.68	0.50	0.40	0.40	0.47	0.40	0.70						
UK															
Base rate	0.75	0.75	0.10	0.10	0.10	0.10	0.75	0.10	0.10						
Gilts 10y	0.40	0.83	0.31	0.55	0.30	0.40	0.83	0.40	0.80						
Japan															
BoJ Rate	-0.06	-0.05	-0.07	-0.10	-0.10	-0.10	-0.05	-0.10	-0.10						
JGB 10y	-0.22	-0.02	0.02	0.00	0.05	0.05	-0.02	0.05	0.15						
LAST UPDATE: 07/07/2020															
Exchange Rates	2019		2020				2019			2020e			2021e		
	Q3	Q4	Q1	Q2	Q3e	Q4e	2019	2020e	2021e	2019	2020e	2021e	2019	2020e	2021e
USD															
EUR / USD	1.09	1.12	1.10	1.09	1.15	1.17	1.12	1.17	1.22						
USD / JPY	108	109	108	104	103	100	109	100	98						
GBP / USD	1.23	1.32	1.24	1.24	1.29	1.34	1.32	1.34	1.42						
EUR															
EUR / GBP	0.89	0.83	0.89	0.88	0.89	0.87	0.83	0.87	0.86						
EUR / JPY	118	122	118	113	118	117	122	117	120						
Brent															
Period-average															
Brent USD/bbl	62	63	51	33	43	49	64	44	59						
LAST UPDATE: 07/07/2020															

SOURCE: BNP PARIBAS GLOBAL MARKETS (E: ESTIMATES)



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9

LATEST INDICATORS (1/2)

Data published in August have, in general, been good. The PMI data published at the beginning of August showed further improvement in July versus June. In most cases, they also beat expectations. The US labour market report showed a decline of the unemployment rate and strong job creation, albeit significantly lower than the extraordinary performance in June. The change in employment numbers and the unemployment rate were better than expected. Banque de France industrial sentiment improved further in July and more so than expected. US retail sales came in lower than anticipated and slowed a lot versus the previous month. University of Michigan sentiment hardly changed. The housing market related data were strong. Later in the month, the flash PMIs showed a mixed picture. Better in the US, weaker in the eurozone and in particular in France. This was not confirmed by other data: in Germany, the ifo business climate improved further and the same happened with business confidence in France. Finally, the European Commission economic sentiment indicator showed a marked improvement in the eurozone in August.

DATE	COUNTRY	INDICATOR	PERIOD	CONSENSUS	ACTUAL	PREVIOUS
08/03/2020	China	Caixin China PMI Mfg	July	51.1	52.8	51.2
08/03/2020	France	Markit France Manufacturing PMI	July	52.0	52.4	52.4
08/03/2020	Germany	Markit/BME Germany Manufacturing PMI	July	50.0	51.0	51.0
08/03/2020	Eurozone	Markit Eurozone Manufacturing PMI	July	51.1	51.8	51.8
08/03/2020	United States	ISM Manufacturing	July	53.6	54.2	52.6
08/05/2020	Japan	Jibun Bank Japan PMI Composite	July	--	44.9	44.9
08/05/2020	China	Caixin China PMI Composite	July	--	54.5	55.7
08/05/2020	France	Markit France Composite PMI	July	57.6	57.3	57.3
08/05/2020	Germany	Markit/BME Germany Composite PMI	July	55.5	55.3	55.3
08/05/2020	Eurozone	Markit Eurozone Composite PMI	July	54.8	54.9	54.9
08/05/2020	United States	ISM Services	July	55.0	58.1	57.1
08/06/2020	United Kingdom	Bank of England Bank Rate	August	0.100%	0.100%	0.100%
08/07/2020	United States	Change in Nonfarm Payrolls	July	1480k	1763k	4791k
08/07/2020	United States	Unemployment Rate	July	10.6%	10.2%	11.1%
08/10/2020	France	Bank of France Ind. Sentiment	July	92	99	89
08/12/2020	United Kingdom	GDP QoQ	2Q	-20.7%	-20.4%	-2.2%
08/13/2020	France	ILO Unemployment Rate	2Q	8.3%	7.1%	7.8%
08/14/2020	China	Industrial Production YoY	July	5.2%	4.8%	4.8%
08/14/2020	China	Retail Sales YoY	July	0.1%	-1.1%	-1.8%
08/14/2020	China	Fixed Assets Ex Rural YTD YoY	July	-1.6%	-1.6%	-3.1%
08/14/2020	China	Property Investment YTD YoY	July	2.5%	3.4%	1.9%

SOURCE: BLOOMBERG



CALENDAR

10

LATEST INDICATORS (2/2)

DATE	COUNTRY	INDICATOR	PERIOD	CONSENSUS	ACTUAL	PREVIOUS
08/14/2020	Eurozone	Employment QoQ	2Q	--	-2.8%	-0.2%
08/14/2020	Eurozone	GDP SA QoQ	2Q	-12.1%	-12.1%	-12.1%
08/14/2020	United States	Retail Sales Advance MoM	July	2.1%	1.2%	8.4 %
08/14/2020	United States	U. of Mich. Sentiment	August	72.0	72.8	72.5
08/17/2020	United States	NAHB Housing Market Index	August	74	78	72
08/18/2020	United States	Building Permits MoM	July	5.4%	18.8%	3.5 %
08/18/2020	United States	Housing Starts MoM	July	5.0%	22.6%	17.5 %
08/19/2020	Eurozone	CPI Core YoY	July	1.2%	1.2%	1.2%
08/21/2020	France	Markit France Composite PMI	August	57.0	51.7	57.3
08/21/2020	Germany	Markit/BME Germany Composite PMI	August	55.0	53.7	55.3
08/21/2020	Eurozone	Markit Eurozone Composite PMI	August	55.0	51.6	54.9
08/21/2020	United States	Markit US Composite PMI	August	--	54.7	50.3
08/21/2020	Eurozone	Consumer Confidence	August	-15.0	-14.7	-15.0
08/25/2020	Germany	GDP SA QoQ	2Q	-10.1%	-9.7%	-10.1%
08/25/2020	Germany	IFO Business Climate	August	92.1	92.6	90.4
08/25/2020	United States	Conf. Board Consumer Confidence	August	93.0	84.8	91.7
08/25/2020	United States	New Home Sales MoM	July	1.8%	13.9%	15.1 %
08/26/2020	France	Consumer Confidence	August	94	94	94
08/26/2020	United States	Cap Goods Orders Nondef Ex Air	July	1.7%	1.9%	4.3 %
08/27/2020	France	Business Confidence	August	88	91	84
08/27/2020	United States	GDP Annualized QoQ	2Q	-32.5%	-31.7%	-32.9%

SOURCE: BLOOMBERG



CALENDAR: THE WEEK AHEAD

COMING INDICATORS

It's the start of a new month so this implies a heavy data schedule. The purchasing managers' indices (manufacturing, services, composite) will be published in several countries, as well as, in the US, the ISM indices for manufacturing and services. The Federal Reserve will publish its Beige Book, providing a description of how the different parts of the US economy are doing. For the eurozone, the unemployment rate and retail sales for the month of July will be published. The highlight of the week -as always at the start of the month- is the labour market report in the US.

DATE	COUNTRY	INDICATOR	PERIOD	CONSENSUS	PREVIOUS
08/31/2020	Japan	Industrial Production MoM	July	5.8%	1.9%
08/31/2020	Japan	Industrial Production YoY	July	--	-18.2%
08/31/2020	Japan	Retail Sales MoM	July	--	13.1%
08/31/2020	China	Composite PMI	August	--	54.1
08/31/2020	China	Manufacturing PMI	August	51.1	51.1
08/31/2020	China	Non-manufacturing PMI	August	54.1	54.2
08/31/2020	United States	Dallas Fed Manf. Activity	August	0.0	-3.0
08/31-09/02/2020	Germany	Retail Sales MoM	July	0.5%	-1.6%
09/01/2020	Japan	Jibun Bank Japan PMI Mfg	August	--	46.6
09/01/2020	China	Caixin China PMI Mfg	August	52.3	52.8
09/01/2020	France	Markit France Manufacturing PMI	August	--	49.0
09/01/2020	Germany	Markit/BME Germany Manufacturing PMI	August	--	53.0
09/01/2020	Germany	Unemployment Claims Rate SA	August	--	6.40%
09/01/2020	Eurozone	Markit Eurozone Manufacturing PMI	August	--	51.7
09/01/2020	United Kingdom	Markit UK PMI Manufacturing SA	August	--	55.3
09/01/2020	Eurozone	Unemployment Rate	July	--	7.8%
09/01/2020	Eurozone	CPI Core YoY	August	--	1.2%
09/01/2020	United States	Markit US Manufacturing PMI	August	--	53.6
09/01/2020	United States	ISM Manufacturing	August	54.5	54.2
09/02/2020	United States	Cap Goods Orders Nondef Ex Air	July	--	1.9%
09/02/2020	United States	U.S. Federal Reserve Releases Beige Book			
09/03/2020	Japan	Jibun Bank Japan PMI Composite	August	--	44.9
09/03/2020	China	Caixin China PMI Composite	August	--	54.5
09/03/2020	France	Markit France Composite PMI	August	--	51.7
09/03/2020	Germany	Markit/BME Germany Composite PMI	August	--	53.7
09/03/2020	Eurozone	Markit Eurozone Composite PMI	August	--	51.6
09/03/2020	United Kingdom	Markit/CIPS UK Composite PMI	August	--	60.3
09/03/2020	Eurozone	Retail Sales MoM	July	--	5.7%
09/03/2020	United States	Initial Jobless Claims	August	--	--
09/03/2020	United States	Markit US Services PMI	August	--	54.8
09/03/2020	United States	Markit US Composite PMI	August	--	54.7
09/03/2020	United States	ISM Services Index	August	57.3	58.1
09/04/2020	United States	Change in Nonfarm Payrolls	August	1.575e+06	1.76E+06
09/04/2020	United States	Unemployment Rate	August	9.9%	10.2%
09/04/2020	United States	Labor Force Participation Rate	August	--	61.4%

SOURCE: BLOOMBERG



FURTHER READING

12

Brazil: Investment in times of fiscal adjustment	EcoConjoncture	31 August
France: matching surges in non-financial corporations' fundind and deposits	Chart of the Week	26 August
Germany : Government stimulus package instills confidence	EcoWeek	31 July
Global : Looking beyond the second quarter GDP numbers	EcoWeek	31 July
The euro area economy: doing better	EcoTV Week	31 July
Recovery fund: will the EU kill one bird with two stones?	Chart of the Week	28 July
Eurozone: Confirmation of an economic upturn	EcoFlash	27 July
European Union: The European Council agreement: not perfect, but truly historical	EcoWeek	24 July
China: Real GDP is back to its pre-crisis level	EcoWeek	24 July
Spain: Under the threat of a resurgence of the epidemic	EcoWeek	24 July
The European Council agreement: truly historical	EcoTV Week	24 July
Quarterly economic outlook on emerging countries	EcoEmerging	23 July
United Kingdom: Measures to support bank financing of businesses	EcoFlash	22 July
Latin America's largest economies: struggling to bend the COVID-19 epidemic	Chart of the Week	22 July
Covid and the outlook for inflation	Podcast	22 July
Global: Covid-19 and the environment	EcoWeek	17 July
Eurozone: Credit pulse: demand is still robust for corporate loans but continues to slow for household loans	EcoWeek	17 July
Italy: Economic activity rebounds, but employment continues to fall	EcoWeek	17 July
United Kingdom: Hopes for a quick rebound are fading	EcoWeek	17 July
Morocco: A sharp recession in 2020	EcoTV Week	17 July



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15

LATEST INDICATORS

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DATE	COUNTRY	INDICATOR	PERIOD	CONSENSUS	ACTUAL	PREVIOUS
08/03/2020	China	Caixin China PMI Mfg	July	51.2		51.2
08/03/2020	France	Markit France Manufacturing PMI	July	--		52.0
08/03/2020	Germany	Markit/BME Germany Manufacturing PMI	July	--		50.0
08/03/2020	Eurozone	Markit Eurozone Manufacturing PMI	July	--		51.1
08/03/2020	United States	ISM Manufacturing	July	53.5		52.6
08/05/2020	Japan	Jibun Bank Japan PMI Composite	July	--		43.9
08/05/2020	China	Caixin China PMI Composite	July	--		55.7
08/05/2020	France	Markit France Composite PMI	July	--		57.6
08/05/2020	Germany	Markit/BME Germany Composite PMI	July	--		55.5
08/05/2020	Eurozone	Markit Eurozone Composite PMI	July	--		54.8
08/05/2020	United States	ISM Services	July	55.0	58,1	57.1
08/06/2020	United Kingdom	Bank of England Bank Rate	August	--		0.100%
08/07/2020	United States	Change in Nonfarm Payrolls	July	2,00E+06		4.8e+06
08/07/2020	United States	Unemployment Rate	July	10.2%		11.1%
08/10/2020	France	Bank of France Ind. Sentiment	July	--		89
08/12/2020	United Kingdom	GDP QoQ	2Q	--		-2.2%
08/13/2020	France	ILO Unemployment Rate	2Q	--		7.8%
08/14/2020	China	Industrial Production YoY	July	--		4.8%
08/14/2020	China	Retail Sales YoY	July	--		-1.8%
08/14/2020	China	Fixed Assets Ex Rural YTD YoY	July	--		-3.1%
08/14/2020	China	Property Investment YTD YoY	July	--		1.9%
08/14/2020	Eurozone	Employment QoQ	2Q	--		-0.2%
08/14/2020	Eurozone	GDP SA QoQ	2Q	--		--
08/14/2020	United States	Retail Sales Advance MoM	July	2.0%		7.5%
08/14/2020	United States	U. of Mich. Sentiment	August	--		--
08/17/2020	United States	NAHB Housing Market Index	August	--		72
08/18/2020	United States	Building Permits MoM	July	--		2.1%
08/18/2020	United States	Housing Starts MoM	July	--		17.3%
08/19/2020	Eurozone	CPI Core YoY	July	--		--
08/21/2020	France	Markit France Composite PMI	August	--		--
08/21/2020	Germany	Markit/BME Germany Composite PMI	August	--		--
08/21/2020	Eurozone	Markit Eurozone Composite PMI	August	--		--
08/21/2020	United States	Markit US Composite PMI	August	--		--
08/21/2020	Eurozone	Consumer Confidence	August	--		--

SOURCE: BLOOMBERG



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